

THURSDAY, MAY 11, 2006

LETTERS TO THE EDITOR

Fannie Mae Bill: We Invite the Senate to Act

I don't even recognize the legislative process described by your April 27 editorial "Freddie's Friends on the Hill," and it surely is not the one outlined in the Constitution and practiced in the Capitol.

Your editorial board is under the mistaken impression that the passage of a bill in the House has stalled the legislation. The House has spoken with a strong, bipartisan bill that passed last October by a vote of 331 to 90! Last May, the House Financial Services Committee overwhelmingly voted to approve the bill, 65 to 5.

The House bill succeeds in its mission to create a stronger regulator for Fannie Mae and Freddie Mac. This is a remedy that is sorely needed in order to keep regulatory pace with the explosive growth and financial influence of the housing market giants. The proposed new Federal Housing Finance Agency would have a far greater degree of independence, assured funding that does not rely on the congressional appropriations process, and new operational and enforcement powers that are modeled after those currently held by most banking regulators.

The Senate Banking Committee has passed a bill, but has yet to report it to the floor. The Senate is free to act at any time, and I urge that body to work its will. Action by the full Senate is the only way to move the process forward and get to a conference committee, where the final details of a House-Senate compromise could be hammered out.

All the editorial vitriol directed at me by the Journal has not and will not change the realities of the legislative process. Nor will it alter the House position, which is held by all 331 members who voted for the bill. The holdup in the legislative process is the full Senate, and your admonishments would be more properly

and perhaps more effectively directed there.

However, you are backing a portfolio limitation policy that lacks widespread support and cannot pass either the House or the Senate. Yet the Journal damns the body that acted for stalling and praises the body that cannot act.

If the Senate Banking Committee's portfolio provision is so popular, why are the senators not clamoring for a floor vote? Supporters of the provision know that it will fail on the Senate floor, which would doom both the portfolio limitation idea, as well as GSE regulatory reform, for the remainder of this Congress. On the portfolio issue, I have repeatedly signaled my willingness to discuss the options before us, provided the Senate can act in order to move us to conference.

It is completely inaccurate to say that the House legislation does not address the size of the portfolios held by the GSEs. The Federal Housing Finance Reform Act, H.R. 1461, would give the new regulator broad, discretionary power to act on portfolios. The House authors believe that a specific directional mandate or numeric limits would be a mistake. A world-class regulator is a regulator who is given the necessary tools and the authority to use them. If properly crafted, the law should give regulators the necessary flexibility to respond to changing market conditions for the time during which the law will be on the books, most likely for decades.

If this Congress does not send a bill to the president, it will not be because of a lack of responsible action by the House. It will be because short-sighted proponents of portfolio limitation decided that this provision is paramount.

I applaud the Journal's point about the current administration potentially exercising authority to limit Fannie and Freddie's debt issuance. I concur that the administration possesses the full authority necessary to move forward. There is no need for congressional approval. If administration officials believe that the systemic risk is so great that the Treasury should limit debt issuance and therefore portfolio size, I see nothing that prevents them from doing so. If that is their firm belief, then it is also their responsibility to protect the taxpayers and the housing finance system.

The House acted first. It has spoken with strong, bipartisan legislation to create a more effective regulator. We in the House urge the Senate to move and stand ready to complete the legislative process. The administration has the ability to act at any time.

Readers may judge for themselves who is stopping progress and why.

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